

Message Text

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TO AMEMBASSY BONN IMMEDIATE

USMISSION USBERLIN IMMEDIATE

INFO AMEMBASSY LONDON IMMEDIATE

AMEMBASSY PARIS

C O N F I D E N T I A L STATE 029268

E.O. 11652: GDS

TAGS: PFOR, EAIR, WB, US, UK, FR, GW

SUBJECT: BERLIN AIR SERVICES: ROUTE DIVISION AND PAN AM
CONSIDERATION OF REMAINING AT TEMPELHOF

REFS: BONN 2145, BONN 1798, BERLIN 208, STATE 25782

1. SUMMARY: UK EMBASSY ADVISED DEPARTMENT THAT UK
BELIEVES COMBINATION OF FARE INCREASE AND DIVISION OF IGS
ROUTES WILL OBVIATE NEED FOR FURTHER SUBSIDY REQUEST.
PROPOSAL THAT IGS CARRIERS OPERATE FROM SEPARATE BERLIN
AIRPORTS CLEARLY DOES NOT APPEAL TO UK, BUT IT UNWILLING
TO SAY SO DIRECTLY.BOTH PROPOSALS STILL UNDER REVIEW
BY DEPARTMENT.END SUMMARY

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2. UK EMBOFF, ACTING UNDER INSTRUCTION FROM LONDON, CALLED AT DEPARTMENT FEBRUARY 7 TO FOLLOW UP ON EARLIER CONVERSATIONS (REFTEL D) AND REPORT ON CURRENT UK AND BRITISH AIRWAYS THINKING ON PROPOSED ROUTE DIVISION PROPOSAL AND PAN AM/BFG SUGGESTION THAT PAN AM REMAIN AT TEMPELHOF WHEN BA MOVES TO TEGEL.

3. ACCORDING TO EMBOFF MEETING WAS HELD IN LONDON FEB. 6

BETWEEN BRITISH AIRWAYS, FCO AND DEPARTMENT OF TRANSPORTATION AT WHICH UK GOVERNMENT FORMALLY CONCLUDED THAT, WERE FARE INCREASE OF APPROXIMATELY 7.5 IMPLEMENTED IN CONJUNCTION WITH PROPOSED DIVISION OF ROUTES IN IGS, IT WOULD NOT BE NECESSARY (AT LEAST FOR FORSEEABLE FUTURE) FOR BA TO SEEK INCREASED SUBSIDIES FROM FRG. ACCORDING TO UK CALCULATIONS FARE INCREASE OF AROUND 7.5 WOULD PROVIDE BA AN ADDITIONAL L.3 MILLION POUNDS STERLING, AND THE ROUTE DIVISION WOULD SAVE AN ADDITIONAL 1.8 MILLION POUNDS. TAKEN TOGETHER THESE WOULD COVER THE PROJECTED 3 MILLION POUND STERLING DEFICIT WHICH BA FORECASTS FOR 1975.

3. EMBOFF STATED UK GOVERNMENT HAD INSTRUCTED BRITISH AIRWAYS TO STUDY EFFECT OF ROUTE DIVISION BETWEEN AIRLINES AND PREPARE NEW FARE INCREASE PROPOSAL WITH USCAA IN BONN. (COMMENT: UK EMBOFF SAID BA CONFIDENT IT COULD JUSTIFY FULL AMOUNT OF ORIGINAL FARE INCREASE REQUEST DESPITE SAVINGS WHICH ROUTE DIVISION WOULD BRING, AND BELIEVES PAN AMERICAN WILL BE ABLE TO DO THE SAME. HE SAID, HOWEVER, THAT UK FOREIGN OFFICE WOULD BE PREPARED TO DELAY SUBMISSION OF REVISED FARE INCREASE PROPOSAL UNTIL AFTER BERLIN ELECTIONS IF IT WERE AGREED AMONG THE ALLIES THAT THIS MIGHT TAKE SOME OF THE POLITICAL HEAT OUT OF THE ISSUE. END COMMENT)

4. TURNING TO PAN AM/BFG PROPOSAL THAT PAN AM REMAIN AT TEMPELHOF, UK EMBOFF SAID HE UNDERSTOOD BA HAD ADOPTED THE POSITION THAT BOTH AIRLINES SHOULD FLY FROM SAME AIRPORT; IE, EITHER BOTH FROM TEMPELHOF, OR BOTH FROM TEGEL. THE UK GOVERNMENT WAS WILLING TO BE A BIT MORE CONFIDENTIAL

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FLEXIBLE, AND WOULD BE WILLING TO CONSIDER A SPLIT AIRPORT OPERATION PROVIDING A NUMBER CONDITIONS WERE MET. THESE INCLUDE (A) EQUALIZATION OF OFFICE RENTAL CHARGES AT BOTH AIRPORTS, (B) COMPENSATION TO BA (PRESUMABLY FROM SENAT) TO OFFSET HIGHER OPERATING COSTS AT TEGEL, AND (C) GUARANTEE THAT WERE FOR ANY REASON THE ROUTE DIVISION PLAN TO FAIL AFTER IT WERE IMPLEMENTED (READ: SHOULD PAN AM GO UNDER FINANCIALLY) THAT NO OTHER ALLIED

CARRIER BE PERMITTED TO BEGIN FLYING ON ROUTES DESIGNATED SOLELY FOR BA UNDER ROUTE DIVISION PLAN. (COMMENT: IN SHORT, UK GOVERNMENT IS NOT REALLY IN FAVOR OF SPLIT AIR-PORT ARRANGEMENT, BUT IS NOT PREPARED TO SAY SO OUTRIGHT.

CONDITIONS LAID DOWN ABOVE WOULD ALL DEPEND ON GERMAN CONCURRENCE, AND WOULD BE, FOR THE MOST PART, UN-ACCEPTABLE TO FRG OR SENAT. END COMMENT)

5. FINALLY, EMBOFF SAID FCO AGREED THAT FRENCH MUST BE BROUGHT FULLY INTO ALL DISCUSSIONS OF PRESENT BERLIN AIR MATTERS TO AVOID UNNECESSARY IRRITATIONS AND DISPUTES ARISING AMONG THE ALLIES. UK BELIEVES, INCIDENTALLY, THAT FRENCH WILL SUPPORT ROUTE DIVISION PLAN, BUT OFFERED NO VIEWS ON HOW THEY THOUGHT FRENCH WOULD REACT TO PAN AM STAYING AT TEMPELHOF. DEPTOFF ASKED IN CONNECTION WITH THIS DISCUSSION WHETHER IT WERE TRUE THAT UK HAD TURNED DOWN FRENCH REQUEST TO CONTROL NORTH CORRIDOR IN BASC OPERATIONS, AND SUGGESTED THAT REJECTION OF THIS MINOR FRENCH REQUEST WOULD BE UNNECESSARY IRRITANT TO ALLIED RELATIONS ON BERLIN AIR MATTERS. UKEMBOFF AGREED, AND SAID HE WOULD ASK LONDON ABOUT THIS POINT.

6. DEPARTMENT IS CONTINUING ITS OWN REVIEW OF ROUTE DIVISION PROPOSAL AND PAN AM/BFG SUGGESTION CONCERNING USE OF TEMPELHOF, AND GREATLY APPRECIATES USBER AND EMBASSY BONN REPORTS AND COMMENTS IN THESE AREAS. WE RECOGNIZE THAT UNDER THE CIRCUMSTANCES RUMOR WILL RUN RAMPANT, PARTICULARLY IN BERLIN (REFTEL BONN 2145). FOR TIME BEING, HOWEVER, WE BELIEVE IT BEST FOR ADDRESSES TO CONTINUE TO STRESS THAT USG HAS PROPOSALS UNDER ACTIVE CONSIDERATION IS CONSULTING WITH ALL CONCERNED PARTIES, HAS NOT REACHED ANY FIRM DECISIONS, CONFIDENTIAL

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AND REFUSE TO SPECULATE ON WHAT THE OUTCOME OF THOSE DECISIONS MIGHT BE.

7. UK PRESENTATION ABOVE REINFORCES OUR BELIEF THAT UK HAS IN FACT REACHED CONCLUSION THAT IT CANNOT GET FRG TO PAY HIGHER SUBSIDIES, AND SEES ROUTE DIVISION PROPOSAL AS ONLY POSSIBLE WAY IT CAN STAY IN THE BERLIN MARKET ON PROFITABLE BASIS.

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